



DEPARTMENT OF THE ARMY
U.S. ARMY SECURITY ASSISTANCE COMMAND
5701 21ST STREET
FORT BELVOIR, VA 22060-5940

REPLY TO
ATTENTION OF

AMSAC-MP

15 November 2002

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Resolution of Supply Discrepancy Reports (SDRs) within Army Materiel Command (AMC) for Foreign Military Sales (FMS) Maintenance Support Arrangement (MSA) Transactions (USASAC 02-11)


1. Reference memorandum, HQ AMC, AMCRM-F, 20 Sep 2002, subject: Maintenance Support Arrangement Supply Discrepancy Reports (SDRs) enclosed.
2. An increase in the number of unresolved SDRs for FMS MSA transactions within the AMC community required U.S. Army Security Assistance Command (USASAC) to obtain policy clarification from the AMC Deputy Chief of Staff for Resource Management on resolution of SDRs attributable to the IMMC, arsenal, or depot.
3. The above reference states HQ AMC policy relating to the resolution of SDR on FMS MSA. Paragraph 4 of referenced memorandum specifically outlines the responsibility of the Army Working Capital Fund (AWCF) business area within the Major Subordinate Command (MSC) to finance the cost of rework or the replacement of secondary items when it has been determined that the arsenal, depot, or IMMC is responsible for the SDR. In lieu of rework or replacement, the FMS customer will also be allowed to elect refund of prior payments for non-fulfillment of the contract.
4. All Security Assistance elements are required to distribute a copy of this USASAC policy, with enclosure, to the IMMC located within your command and all AWCF business areas. Written confirmation that distribution has been made by your command is required by 9 Dec 2002.
5. The point of contact is Carl Day, AMSAC-MP, 703-806-2361 of DSN 656-2361, e-mail carl.day@usasac.army.mil.

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Army Materiel Command (AMC) for Foreign Military Sales (FMS)
Maintenance Support Arrangement (MSA) Transactions
(USASAC 02-11,

6. USASAC -- The Army's Face to the World.

FOR THE COMMANDER:

Encl


CARLOS A. PIAD
Director for
Policy and Procedures

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COMMANDER

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DIRECTOR

U.S. ARMY TANK-AUTOMOTIVE AND ARMAMENTS COMMAND-RI,
ATTN: AMSTA-LC, 1 ROCK ISLAND ARSENAL, ROCK ISLAND, IL
61299-7630

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CF:

AMSAC-MA

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AMSAC-OL



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333-0001

20 SEP 2002

AMCRM-F

MEMORANDUM FOR MR. RICHARD G. ALPAUGH, DEPUTY TO THE COMMANDING
GENERAL, U.S. ARMY SECURITY ASSISTANCE COMMAND, 5701 21ST STREET, FORT
BELVOIR, VA 22060-5940

SUBJECT: Maintenance Support Arrangement Supply Discrepancy Reports (SDRs)

1. Reference memorandum, HQ USASAC, AMSAC-OL-LS-SP, 20 Mar 02, SAB.
2. The FMS customer pays a 1-3 percent fee for administration of the FMS case. In compliance with the Arms Export Control Act and DOD 7000.14R, volume 15, this Administrative account may not include overhead and the AWCF cannot further charge the FMS customer for unfunded costs. The AWCF may only charge FMS for the direct labor, direct materials and the variable indirect costs, such as handling and storage expenses, that are specifically attributable to the order. Prior to acceptance, the case should enumerate these charges for review by the customer.
3. Depots perform the repair of assets funded by FMS orders on a cost reimbursable basis for actual costs incurred. The depots do not apply a surcharge of any kind to these orders. As a result, there are no earnings or reserves from which to reimburse FMS customers for improper repair or lost assets.
4. The SDRs must be investigated and DOD components will process eligible SDRs in accordance with DLAR 4140. When the SDR process determines that an arsenal, depot or IMMC is responsible for the issuance of faulty spares, poorly manufactured end items, or lost or improperly repaired materiel, the applicable AWCF business area will finance the cost of rework or the replacement of the secondary items. In lieu of rework or replacement, the FMS customer will also be allowed to elect refund of prior payments for non-fulfillment of the contract. The AWCF business area will absorb these costs without reimbursement, as there are no appropriations available for these purposes.
5. The DCSRM, G-8 point of contact is Mr. Michael Anglemeyer, 703-617-0584 or DSN 767-0584.

FOR THE COMMANDER:

Encl

Barbara A. Leiby
BARBARA A. LEIBY
Deputy Chief of Staff
for Resource Management, G-8



DEPARTMENT OF THE ARMY
U.S. ARMY SECURITY ASSISTANCE COMMAND
5701 21ST STREET
FORT BELVOIR, VA 22060-5940

REPLY TO
ATTENTION OF

AMSAC-OL-LS-SP

20 March 2002

MEMORANDUM FOR MR. *John* LAWKOWSKI, ASSISTANT DEPUTY CHIEF OF
STAFF FOR RESOURCE MANAGEMENT, U.S. ARMY MATERIEL COMMAND, 5001
EISENHOWER AVENUE, ALEXANDRIA, VA 22333-0001

SUBJECT: Maintenance Support Arrangement Supply Discrepancy
Reports (SDRs)

1. On 14-16 August 2001, the U.S. Army Security Assistance Command (USASAC) hosted a meeting on problems and issues associated with resolving SDRs submitted by Foreign Military Sales (FMS) customers for materiel lost or improperly repaired by U.S. Army Materiel Command (AMC) maintenance depots or by commercial maintenance activities under contract to AMC. A member of your staff attended the meeting on 16 August 2001 and agreed to take several action items for subsequent research and resolution. We have not gotten any feedback on the action items; however, we have done further work to refine the issues.
2. At this point, there is only one significant financial issue remaining. We need your help so that we can establish a rigorous and defensible procedure on which to base resolution of current and future SDRs. Does the price charged to FMS customers for repair of materiel by AMC maintenance depots include surcharges to fund rework, inventory shrinkage and losses attributable to work performed by or under agency of the depot or parent Major Subordinate Command (MSC)? If surcharges are collected to compensate for the aforementioned conditions, would it be reasonable to expect that these funds should be used to reimburse FMS customers when evidence exists to indicate that an AMC maintenance depot improperly repaired or lost an FMS asset? By "repair," I am using the term to address the full range of maintenance services, including refurbishment, rebuild and any other process action taken by the depot in the course of working on receipted materiel.
3. If surcharges are not collected for recompensing our FMS customers, would request your help to identify appropriated funds that can be used for that purpose and to ensure the MSCs

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comply with policy to use those funds to recompense FMS customers whose items have been lost through booking or inventory control mistakes or incorrect reissue. The Department of Defense (DoD) security assistance policy (Security Assistance Management Manual, Section 80207, Table 802-2) states "USG funds/appropriations reimburse customer when item is DoD standard (currently maintained in USG inventory) and the loss is bookkeeping or inventory control only." Depots and parent MSCs have been reluctant to comply with this policy and we would need a statement from Headquarters, AMC, to the MSCs directing compliance with aforementioned policy.

4. So that we can get a complete picture of the surcharges that could be used to address FMS SDRs, request you provide us with a breakout and explanation of the component costs and surcharges assessed for maintenance services by AMC maintenance depots. If there are any charges assessed by the MSCs, to which the depots report directly for maintenance services, request these be identified also. If there are any FMS-peculiar costs, i.e., those charged to FMS customers but not components of the AMC standard or average repair cost, request these be specifically identified as well.

5. In order to resolve our current inventory of open SDRs, we must definitively address the following question, "What source of funds should be used to reimburse FMS customers for loss or improper repair of FMS reparable by AMC maintenance activities?" This Command has over \$500,000 of open SDRs related to improper AMC repair actions. The information requested above will enable us to better define the policies and procedures related to the processing of these SDRs, resolve the backlog of repair-related SDRs and permit more timely and accurate processing in the future. We need your help to get at the best approach to pay for resolution and closure of open SDRs.

6. My point of contact for SDR issues is Ms. Cathy Leese, DSN 771-6495, email "catherine.leese@usasac.army.mil."


AMSAC-OL-LS-SP

SUBJECT: Maintenance Support Arrangement Supply Discrepancy
Reports (SDRs)

7. USASAC -- The Army's Face to the World.

FOR THE COMMANDER:

John.
Appreciate
any clarity you
might offer.
Thanks
RZ


RICHARD G. ALPAUGH
Deputy to the Commanding General